



Export Trade Finance Programs

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Export Trade Finance Programs

Bill Houck

Regional Manager (DC, VA, WV, MD)

Office of International Trade

william.houck@sba.gov, 202-557-4063



Export Financing

FACT: You'll increase lending relationships and be more competitive

FACT: Almost any good or service can be exported

SO!

Ask the question

Do you export??

This includes “indirect” exports (Selling to a domestic customer that then exports)



SBA Export Loan Guarantee Programs

1. **Export Express—to \$500,000**
2. **Export Working Capital Guarantee (EWCG)**
 - Loans up to \$5 million
3. **International Trade Loan—to \$5 million**
4. **Ex-Im Bank Credit Insurance**

All three loan programs provide a 90% guarantee!!!



SBA Loan Programs for Exporters

1. SBA's Export Express

- to \$350,000 with 90% guaranty
- \$500,000 with 75% guaranty
- Processed by lenders under the SBA *Express* program
- Working capital: 7 years; Fix assets: up to 25 years

Required:

- In business for at least 12 months
- Expanding into foreign market(s)



Requirements for Export Express

Three Questions, Three “Yes” Answers

1. In business for at least one year
2. Entering a new or expanding in an existing foreign market(s)
3. Not financing offshore operations
4. Detailed export business plan providing anticipated annual export sales for the first year and outlining use of proceeds



Export Express: Use of Proceeds

Proceeds may be used for any of the following:

- All export related activities; export development expenses, such as brochure translation or participation in trade shows
- Transaction-specific financing of export deals, including standby letters of credit
- General lines of credit for export purposes
- Term loans for permanent working capital, machinery and equipment, or real estate



SBA Loans Programs for Exporters

2. Export Working Capital Loan (90% guarantee)

- Loans to \$5 million

Transaction-Based Financing (Purchase order financing)

- Purchase Order/transaction specific
- Advances up to 100% of cost to fill PO

Asset-Based Line-of-Credit

- Working Capital for pre-shipment, post-shipment or both, advances up to 90%
- Borrowing Base: inventory, work-in-progress, A/R with advance rates of 75% for inventory



EWCP Fees and Analysis

Fees:

- **0.25%** of guaranteed amount if 12 months or less
- Standard on-going fee **0.549%** on outstanding amount paid annually (**paid by lender; fee can not be passed on to borrower**)
- Borrower and lender negotiate interest rate and fees; lender is required to disclose this information to SBA

Analysis:

- Is the deal structured correctly? (Call me to discuss)
- Can the borrower perform as agreed?
- Is there export credit risk i.e. buyer credit risk, terms of payment? (call me to discuss)



EWCP: Advance Rates

Typical Advance Rates:

- 75% against inventory, work-in-progress
- Up to 100% of cost for PO financing (typically 85% of PO)
- 80% for uninsured foreign A/R
- 90% for AR secured with credit insurance or Letters of Credit



EWCP: Collateral

1. Inventory and work-in-process
2. Resulting foreign A/R
3. Assignment of proceeds under:
 - documentary letters of credit
 - credit insurance policies
4. Other assets as required by the lender
5. Personal guarantees by individuals with 20% or more ownership



SBA Loan Programs for Exporters

3. International Trade Loan (ITL)—up to \$5,000,000

- either: a) expanding because of exports, or
b) adversely impacted by imports
- maximum guarantee: \$4.5 million, 90% (permanent)
- a combination of fixed assets/term loan with W/C
maximum Working Capital: \$4,000,000
- maximum term: 25 years for real estate; 10 years for equipment
(refinancing allowed)
- can be process by PLP lenders

Very robust and profitable secondary market for these term loans



Ex-Im Bank: Mitigating Buyer Payment Risk

4. Small Business Export Credit Insurance

To qualify: SBA defined small business with \$7.5 mm or less in average export credit sales for last 3 years

- a. 95% coverage for open account AR
- b. Up to 20 buyers underwritten for free
- c. No deductible
- d. Claim proceeds go directly to lender
- e. Premiums (\$0.0048 to \$0.0120) often built into gross invoice value



Export Credit Insurance (con't)

Benefits

- allows exporter to offer competitive payment terms, excellent marketing tool
- allows exporter to borrow against open account A/R, valuable financing tool
- Enables exporter to sell more goods or services, profitability tool

A/R payments made to lockbox or controlled accounts

- A/R now becomes part of borrowing base



Ask the export question

Do you export??

Be more competitive and get more from
your customers!!!





Contact Information

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william.houck@sba.gov, 202-557-4063



Contact Information

SBA WV District Office

- Rick Haney – 304.623.7449 or Richard.Haney@sba.gov
- Leo Lopez – 304.347.5220 or Leo.Lopez@sba.gov

Or contact your local Lender Relations Specialist –
www.sba.gov

